



Dear My Precious client

I look forward to a great year with you, I am confident that together we will have a productive successful year.

We all understand that knowing the history of anything help us predicting its future, therefore I would like to provide you brief information about "Major Currencies" which in return will reflect on your trading to become more successful trader and to make more money.

On my own part I will assure you of a full-fledged support, since my ultimate goal is to help every client to reach his goals.

I would like to thank you for your choice working with me, and I look forward to continue working with you for the coming years

Sincerely,

*Iman Mutlag*

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# FUNDAMENTAL ANALYSIS FOR MAJOR CURRENCIES



## ECONOMIC OUTLOOK



The U.S. economy is predicted to grow around 2.5% in 2010, reversing a decline in real gross domestic product of a similar magnitude in 2009. The pace of economic expansion envisioned for 2010 is roughly one-third of the historical average of economic growth that has occurred in the first year following recessions in the post-war period, excluding the 1990-91 and 2001 downturns. The severe recession of 1981-82 was followed by nearly 6.0% GDP growth in the first year of the recovery. Financial headwinds are the main reason for the projection of tepid growth in the U.S. economy during 2010.



**C**onsumer spending will continue to be constrained by sluggish labor market conditions, reduction in net worth, and tight credit conditions. Discretionary spending will be the missing element in the lukewarm pace of consumer spending. Improved affordability of homes stemming from low mortgage rates, favorable prices and temporary support from the tax credit programs are factors contributing to the housing market recovery. Capital spending will play a small role in the revival of economic activity, with inventory replenishment accounting for most of the activity as firms rebuild their stockpiles following a substantial liquidation in recent quarters. The impetus for export growth is primarily from the worldwide economic recovery and secondarily from a relatively weak dollar. The bulk of the \$787 billion fiscal stimulus package will be spent in 2010, augmenting anticipated soft private sector demand. Problem loans in the commercial real estate sector will present a challenge in 2010 as office and industrial vacancy rates have set new record highs and prices of commercial real estate have plunged. In addition, weak employment conditions are affecting the financial viability of commercial real estate investment. Essentially, unfavorable conditions which could set off a cascade of loan defaults in the commercial real estate sector are in place.



**T**he unemployment rate is projected to peak at about 10.5% in the middle of 2010. The soft growth projections for 2010 arising from financial headwinds, the reduced workweek, and the structural change in the economy due to a massive slump in housing and auto demand will result in sluggish hiring in most of next year. Inflation will remain on the backburner in 2010 largely because of weak final demand conditions. These are the broad contours of the nature of economic activity in the U.S. economy during 2010. The most troubling aspect of the recovery is that the economy will continue to be fragile in 2010 and remain susceptible to additional shocks, albeit significantly smaller than those experienced in the recent crisis.

The major challenge for U.S. policymakers at the moment is the lack of credit creation in the economy. Although the Fed has provided an extraordinary amount of monetary accommodation since the financial crisis unfolded in the summer of 2007, this Fed-created credit has not been transformed into credit for the private sector. Thus, a significant credit contraction is underway. Prior to the onset of the current recession, financial institutions were highly leveraged. As the crisis unfolded they experienced severe capital inadequacy. To set their respective financial houses in order, they became engaged in repairing balance sheets, reducing risk, and improving credit quality. Currently, financial institutions appear to be adequately capitalized, but they are reluctant to extend credit. They remain wary because of continued challenges associated with home mortgages, anticipated losses from commercial real estate loans, further defaults of auto loans and credit cards and uncertainty about the new regulatory capital requirements.

The Fed is expected to leave the monetary policy dials untouched until the August 2010 FOMC meeting. The official increase in the federal funds rate is most likely to be preceded by a gradual drift up in the effective federal funds rate to the top of the current target range of 0%-0.25%. The exit strategy of the Fed is anticipated to be made up of two phases. The initial phase of monetary policy tightening is likely to be measured hikes in the second half of 2010 followed by more aggressive policy action in 2011 as the economy gathers momentum.

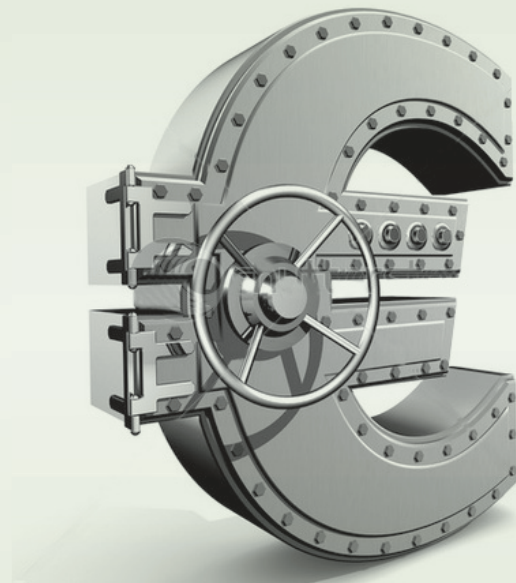
## EURO-ZONE AND UK

In January 2009, Europe was in economic deep-freeze across the board. Today, most of the major economies are showing subdued levels of growth, but this does not indicate a strong recovery.

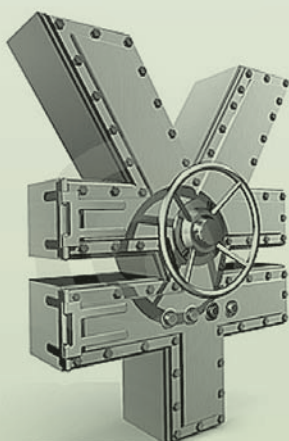
Where 2009 was the year of coordinated fiscal and monetary stimulus across Europe, stances are already starting to diverge as we head into 2010. The European Central Bank (ECB) is starting to pull back from the "extraordinary" monetary measures put in place last year, even as it emphasizes that policy interest rates will remain on hold for a while. However, in the UK - which continues to suffer from the hangover of the 2008/09 housing bubble collapse and global financial crisis - the focus remains on monetary stimulus and support, with quantitative easing set to continue into the spring and the Bank of England likely to keep interest rates at the current record low into 2011. On the fiscal side, the beginning of 2010 sees stimulative measures firmly in place in the major European markets, but as the year progresses the policy focus will start to shift toward restraint and even outright austerity - with negative implications for demand across the region. There will also be sporadic financial sector concerns throughout the year, as major banks see a large chunk of their lending to countries in central and eastern Europe (CEE) turning sour.

The Euro-zone 16 (and EU-27) emerged from recession in Q3 2009 but so far most indicators for Q4 have been subdued. The 'zone as a whole should see real GDP growth of 1.0% in 2010 but growth in the UK is likely to be lower and could even be slightly negative.

The European Central Bank (ECB) has already begun the process of withdrawing its extraordinary liquidity support measures, but will do so cautiously over the next few months, mindful of the problems that still burden some of the region's larger banks. However, it will be in no hurry to start hiking its refi rate, which has been at 1.0% since May 2009 and looks set to stay there at least through the first half of 2010, and quite possibly until Q4. Once the bank does shift into a hawkish mode, we can expect Governor Trichet to devote a couple of months' worth of press conferences to prepping the markets before any actual rate hike occurs.



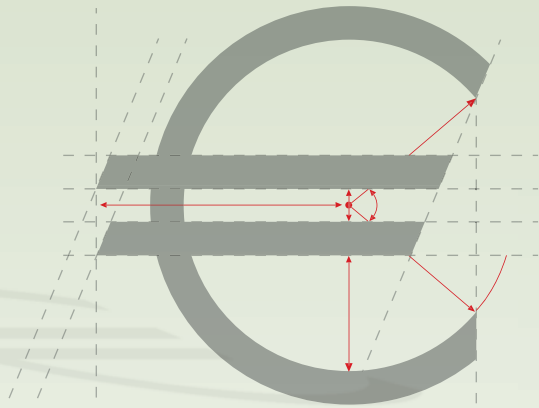
## JAPAN



Conversely, the free-floating yen remains an enigma. Despite a weak economy and ultra-low interest rates, high real interest rates thanks to a renewed bout of deflation have supported the yen's rise to ¥86.1 by end-November. Exports, which fell by half over the course of last year, have in turn struggled to recover in light of a particularly strong currency and weakness in the US\$. The government has run out of effective tools with which to somehow inflate the economy, weaken the yen and restore export activity other than printing more yen. With concerns about a pending debt trap on the rise, Tokyo has resisted using inflation as its way out of trouble, which leaves the painful alternative of hoping for a brisk recovery in the US and its other main trading partners and letting their demand for Japanese exports drag the country out of its recession. Until that happens, the yen will remain as Japan's worst enemy.

# TECHNICAL ANALYSIS FOR MAJOR CURRENCIES

## EURO

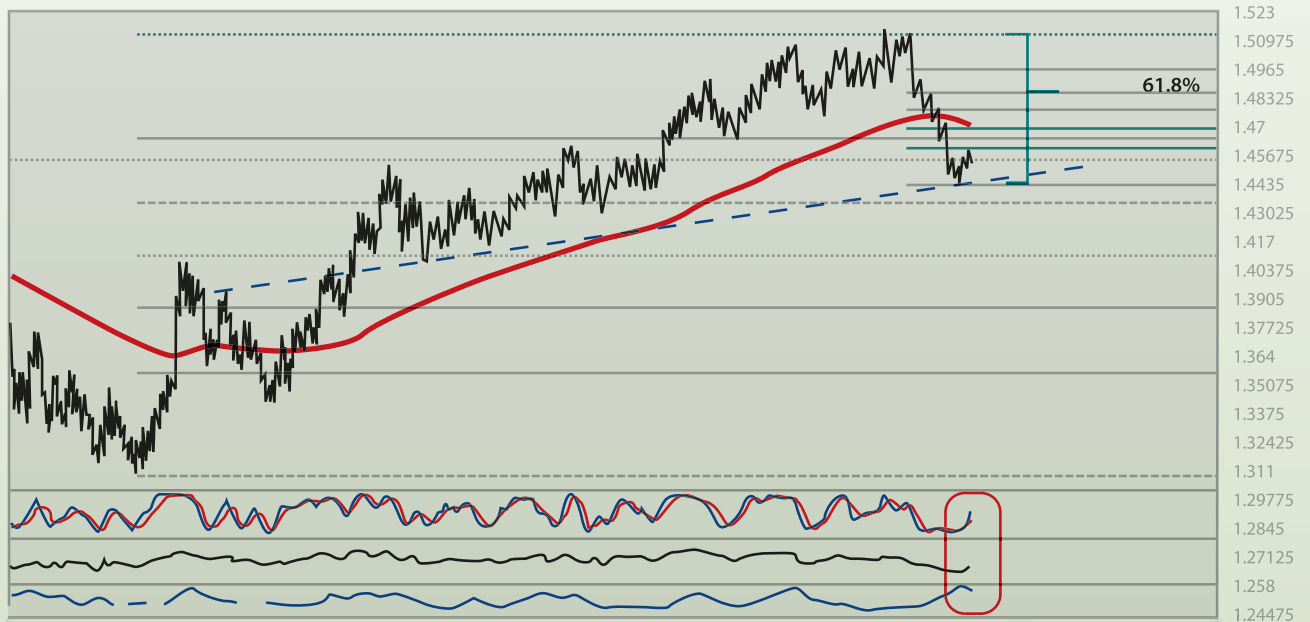


The euro versus dollar faced strong support around 1.4210, pushing the pair to the upside to start a bullish correction supported by positive signs appearing on momentum indicators. From here, we expect a bullish correction; targeting 1.4790 while paying attention to vital resistance at 1.4575, representing the MA 100 with 38.2% Fibonacci correction, appearing on the image above. It is vital to pay attention to the constant expectations of a bullish direction which requires the daily closing above 1.4225.

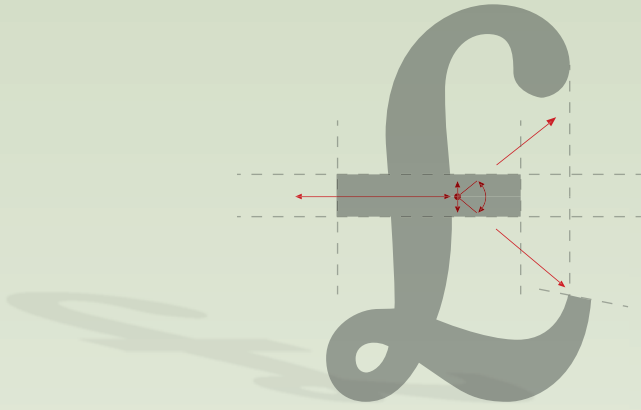
- The trading range for this month is among the key support at 1.4000 and the key resistance at 1.4790.
- The general trend is to the upside as far as 1.4035 remains intact with targets at 1.6000.

Support 1.4315 1.4225 1.4110 1.4035 1.3945

Resistance 1.4445 1.4510 1.4575 1.4695 1.4790



# GBP



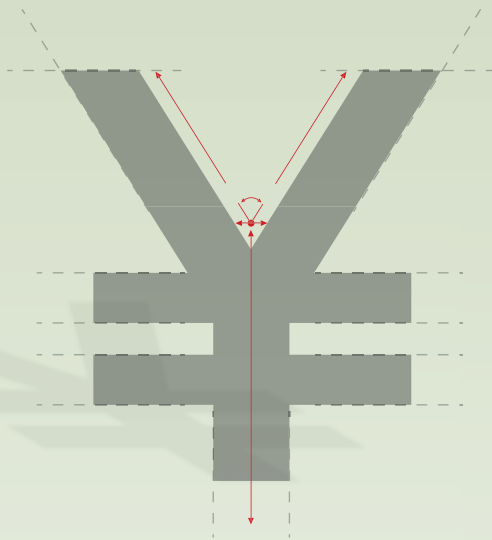
The cable stabilized below the broken main support level for the descending channel, shown on the image above, while constantly fluctuating around breached support that had turned into resistance with the support of positive reversal signs, appearing through momentum indicators, in addition to a near formation of a bullish technical pattern – all these factors make us expect that the expected direction for this week is bullish; where the main mover is the breach of the neckline for the bullish pattern at 1.6020 to pave the way to target 1.6255 initially, and then 1.6400. The expected bullish direction will prevail if we do not witness a daily closing below 1.5900.

- The trading range for this month is among the key support at 1.5700 and the key resistance at 1.6400.
- The general trend is to the upside as far as 1.4840 remains intact with targets at 1.7200.

Support **1.5900 1.5805 1.5760 1.5700 1.5615**  
 Resistance **1.6020 1.6090 1.6170 1.6255 1.6325**



# JPY



The dollar versus yen is near the resistance level for the descending channel that organizes trades for the bearish short term wave at 92.65. Accompanying the pair reaching these levels are overbought signs appearing through the stochastic and the RSI; thus, adding more strength to the resistance level for this channel. From here, the fact that trades are occurring inside a descending channel makes us expect a bearish short term direction, where it has started to build its base on the mentioned resistance level and target mainly 87.85 and then 86.35. For the expected bearish trend to prevail, it requires the daily close to mainly remain below 93.10.

- The trading range for this month is among the key support at 86.35 and the key resistance at 95.00.
- The general trend is to the downside as far as 102.60 remains intact with targets at 82.60.

Support 91.10 90.75 89.35 88.45 87.85

Resistance 92.65 93.10 93.85 95.00 95.55



101.95  
101.21  
100.47  
99.73  
98.99  
98.25  
97.51  
96.78  
96.04  
95.30  
94.56  
93.82  
93.08  
92.34  
91.60  
90.86  
90.12  
89.39  
88.65  
87.91  
87.17  
86.43  
85.69

# CHF

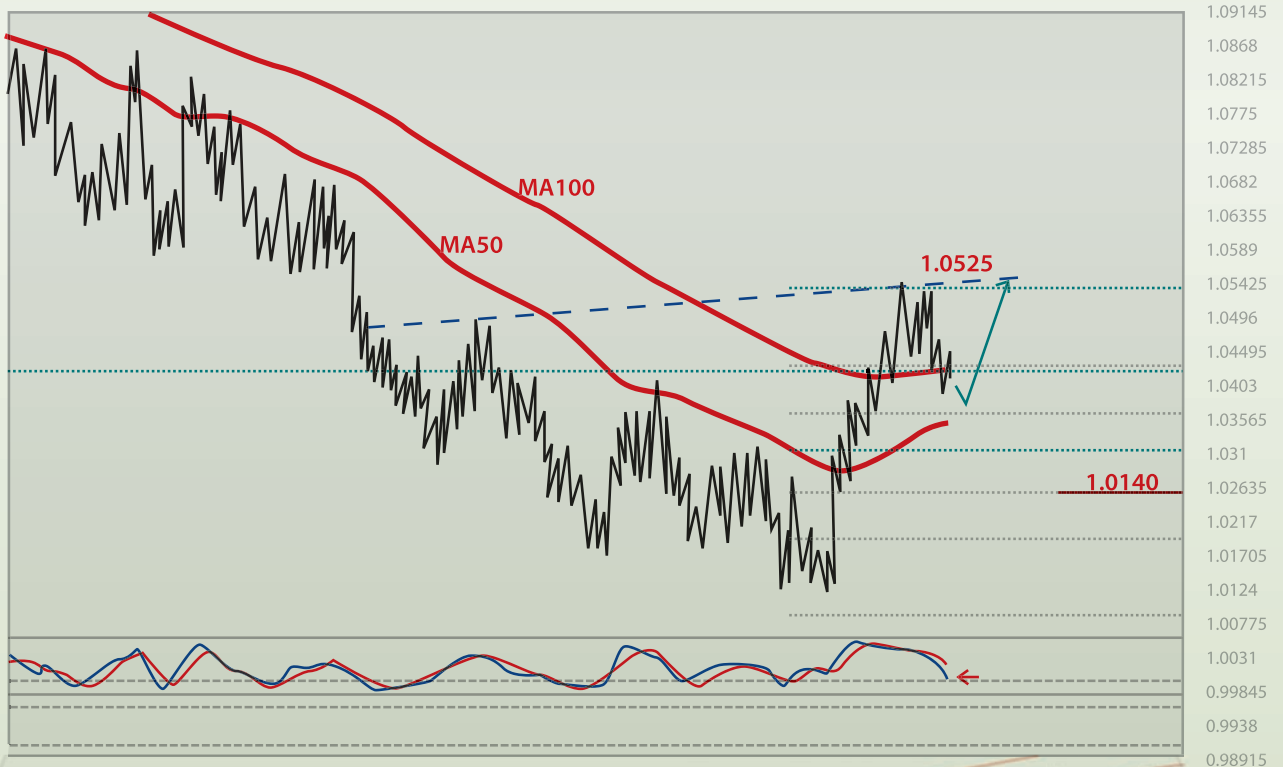


The dollar versus swissy, according to the expected scenario in last week's report, attempted to complete the bullish technical pattern where its formation scenario is clearer according to the image above. The neckline for this pattern is currently at 1.0525 and makes us expect some bearish correction to complete its formation; whereas we see that the overall direction could possibly be bullish and targets the breach of the neckline to open the way to resume the bullish short term direction. The stochastic supports the near reversal to the upside, while keeping in mind the importance of 1.0140 remaining intact to maintain chances of achieving these expectations.

- The trading range for this month is among the key support at 1.0055 and the key resistance at 1.0695.
- The general trend is to the downside as far as 1.1225 remains intact with targets at 0.9600.

Support 1.0280 1.0200 1.0140 1.0055 0.9960

Resistance 1.0415 1.0525 1.0610 1.0695 1.0850



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